

Message Text

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12

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 /093 W
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R 221729Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0299

INFO AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EIND, EGEN, EFIN, GW

SUBJECT: FRG RAW MATERIALS POLICY

REF: BONN 7413

1. AS THE FRG MOVES FORWARD WITH ITS REVIEW OF ITS
RAW MATERIALS POLICY IN THE AFTERMATH OF THE ENERGY
PREPCON, IT IS GIVING INCREASING ATTENTION TO THE
POSSIBILITY OF PROPOSING A SUBSTANTIAL EXPANSION OF
THE IMF COMPENSATORY FINANCING SCHEME. OUR SOURCES
IN THE ECONOMICS MINISTRY POINT TO A NUMBER OF POSSIBLE
BENEFITS TO SUCH A PROPOSAL. IT IS A POSITIVE RESPONSE
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TO THE DEMANDS OF THE LDCE IN AN AREA OF MAJOR CONCERN

TO THEM. (IN ADDITION TO ANY POSSIBLE BENEFITS IN DC-LDC RELATIONS WHICH MIGHT RESULT, THE PROPOSAL DEMONSTRATES TO THE CHANCELLOR THAT THE MINISTRIES ARE CAPABLE OF COMING UP WITH POSITIVE PROPOSALS -- A NOT INCONSIDERABLE BENEFIT GIVEN THE PRESSURE THE CHANCELLORY HAS BEEN EXERTING ON THE MINISTRIES TO COME UP WITH SOMETHING POSITIVE). SINCE THE SCHEME IS PART OF THE IMF, NO NEW INSTITUTION WILL HAVE TO BE CREATED AND THE MANAGEMENT OF THE SCHEME IS LIKELY TO BE AS OBJECTIVE AND RATIONAL AS CAN BE HOPED FOR. IN ADDITION, THE SCHEME IS SO STRUCTURED THAT IT TAKES INTO ACCOUNT THE ENTIRE BALANCE OF PAYMENTS SITUATION OF A COUNTRY BEFORE AID IS GIVEN.

2. OUR CONTACTS ARE QUITE STRONGLY OPPOSED TO AN EXPANSION OF THE EC-ACP STABEX SCHEME ON EITHER A GEOGRAPHIC OR COMMODITY BASIS. THEY NOTE THAT THE PRODUCT-BY-PRODUCT APPROACH OF THIS ARRANGEMENT COULD LEAD TO THE LUDICROUS SITUATION OF AN OIL EXPORTING COUNTRY RECEIVING AID BECAUSE ITS EARNINGS ON A NUMBER OF OTHER PRODUCTS FELL EVEN THOUGH ITS OVERALL BALANCE OF PAYMENTS SHOWED A SUBSTANTIAL SURPLUS. OUR SOURCES ALSO HAVE A TACTICAL PREFERENCE FOR FOCUSING THE INITIAL CONSIDERATION ON THE IMF SCHEME. THEY ARGUE THAT ANY ARRANGEMENT THAT MIGHT FINALLY BE AGREED UPON COULD WELL BE A COMPROMISE SOMEWHERE BETWEEN THE IMF AND STABEX ARRANGEMENTS AND THEY FEAR THAT IF THE INITIAL FOCUS OF ATTENTION IS ON THE STABEX, THE LDCS WILL CONSIDER THE EXISTING ARRANGEMENT AS THEIR MINIMUM DEMAND AND THE POSSIBILITIES OF MAKING THE CONDITIONS MORE STRINGENT WOULD BE CONSIDERABLY REDUCED. OUR SOURCES WOULD MUCH PREFER TO BE IN THE POSITION OF NEGOTIATING A WEAKENING OF THE IMF SCHEME THAN A TIGHTENING UP OF THE STABEX. HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RAW MATERIALS, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN08302
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750181-0155
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750525/aaaaavrv.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BONN 7413
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 11 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 APR 2003 by Izenbel0>; APPROVED <03 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG RAW MATERIALS POLICY
TAGS: EIND, EGEN, EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006